

HOUSE VOTES A NEW TO CURB PURCHASE OF ARMS IN BRITAIN

**Passes \$70-Billion Defense
Bill but Insists on Change
That Senators Rejected**

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WASHINGTON, Sept. 12—

The House approved a \$70-billion defense appropriation bill today but insisted on an amendment that would jeopardize a multimillion-dollar arms deal with Britain.

The measure now goes back to the Senate, which can accept the amendment or return the bill to conference.

Reflecting a mood of revolt in Congress over the issue of separation of powers, and ignoring the pleas of Democratic leaders not to "slap in the face" America's strongest friend and ally, the House refused, 233 to 144, to back down on the amendment.

Offered by John W. Byrnes, Republican of Wisconsin, the amendment would require all United States naval vessels to be built in American shipyards.

The House had passed it earlier but, in negotiations over differing versions of the bill passed by the two chambers, the Senate conferees refused to accept the change. The House conferees refused to give in and returned to the House for instructions.

Seeks to Sway House

Meanwhile, the Administration began a major effort to dissuade the House from accepting Senate-passed restrictions on Export-Import Bank loans to countries that trade with North Vietnam.

In testimony before the House Banking and Currency Committee. Under Secretary of the Treasury Joseph W. Barr, Secretary of Commerce Alexander B. Trowbridge and the bank president, Harold F. Linder, warned that the Senate restrictions could cost \$1.5-billion annually in American export sales and as many as 150,000 American jobs.

The Byrnes amendment to the defense appropriation bill was aimed at an Executive agreement to let Britain bid on construction of 16 wooden-hull minesweepers. The cost of the ships is estimated at \$180-million.

The deal would be part of \$325-million in United States arms purchases from

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Britain as a partial offset to the \$2.5-billion the British will spend here for F-111 long-range interceptor-bombers. The agreement was negotiated by Secretary of Defense Robert S. McNamara.

The burden of the Republican criticism today was that Congress had not been consulted sufficiently. In the debate, Frank T. Bow of Ohio, ranking Republican on the Appropriations Committee emphasized that the Constitution gave to Congress the power to "raise and support armies" and "provide and maintain a Navy."

In vain did Carl Albert of Oklahoma, the House Democratic leader, and George H. Mahon of Texas, the chairman of the Appropriations Committee, plead with the House to reverse itself. They contended that the United States should honor a commitment made in good faith and that this country had far the better of the deal.

If the Senate also stands firm in rejecting the amendment, the conferees will have to meet again in an effort to reach an accommodation.

Byrd Proposal Fought

In the House Banking Committee, the Administration officials mounted an offensive against two Senate amendments to a bill extending the life of the Export-Import Bank for five years and increasing its lending authority to \$13.5-billion, from \$9-billion.

The first change, offered by



John W. Byrnes, Republican of Wisconsin, whose amendment to arms bill was passed yesterday in House.

Harry F. Byrd Jr., Democrat of Virginia, would prohibit the bank from financing United States exports, either through direct loans or guarantees of private credits, to any nation "whose Government" was furnishing "goods or supplies" to a country with which the United States was engaged in "armed conflict." This amendment was aimed particularly at the 21 non-Communist nations that traded with North Vietnam last year.

The second amendment, offered by Karl E. Mundt, Republican of South Dakota, would prohibit a projected bank loan of \$50-million for the purchase of machine tools for an \$800-million automobile plant to be constructed in the

Soviet Union by the Fiat company of Italy.

Mr. Trowbridge termed the Byrd amendment "vague" because it was not clear whether it applied only to countries whose governments were "officially" supplying goods to North Vietnam or whether it included countries where there was "some degree" of government participation through regulations or financing.

Giving the amendment the broadest interpretation, the Commerce Secretary said that it could cut off Export-Import Bank financing to 21 countries that received assistance totaling \$1,568,000,000 in the fiscal year 1967, ended last June 30.

Yet these countries had a total trade of only \$12.5-million with North Vietnam in 1966, he said.

All three officials who testified emphasized that any cutoff of export-import financing would not only affect earnings and jobs but would also do grave damage to the nation's balance of international payments.

Fino Decries View

Mr. Barr, the Treasury Undersecretary, noted that the Administration was seeking an expansion of exports to achieve a trade surplus of about \$7-billion a year, and that in

first six months this year the surplus was running at a rate of only \$4.25-billion.

Representative Paul A. Fino, Republican of the Bronx, said he was shocked to hear the Administration witnesses put more emphasis on the loss of dollars than on the loss of American lives in Vietnam.

To this, Mr. Lindner, the bank president, replied that the Byrd amendment would not penalize the Communist countries nor effectively prevent war material from reaching North Vietnam, but it would penalize the United States.

Garry Brown, Republican of Michigan, expressed doubt that non-Communist countries would risk losing export-import financing for the insignificant trade with North Vietnam.

Noting that Austria shipped less than \$500 to North Vietnam and received an export-import loan of \$3,673,000, W. E. Brock, Republican of Tennessee, asked, "Would they stop trading with us just because of a \$500 sale to North Vietnam?"

Turning to the Mundt amendment, Mr. Trowbridge noted that the loan for the Fiat plant was not being made to the Soviet Union but to IMI, an Italian and in avoiding expenditures by a trade surplus of about \$7-billion a year, and that in

not supply them, and that the vehicles to be produced were not military types.

"Thus," he said, "The Mundt amendment, if passed by both houses, will stand as a fruitless exercise in self-denial with no corresponding advantages to the United States."

On the controversial issue of export-import financing of arms sales to underdeveloped countries, the committee spent little time today. In the last two years the bank has loaned \$604-million for such purchases. The Defense Department has guaranteed 25 per cent of the loans from a revolving fund.

The Senate accepted an "escape hatch" amendment drafted by the Administration that forbade such loans unless the President found them in the national interest.

In the House Banking Committee today, Henry S. Reuss, Democrat of Wisconsin, proposed that the President's finding must take into account "the national interest in avoiding arms races among countries not directly menaced by the Soviet Union or by Communist China; in avoiding arming military dictators who are denying social progress to their own peoples; and in avoiding expenditures by developing countries of scarce foreign exchange needed for peaceful economic progress."